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IDAHO PUBLIC UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)
OF IDAHO POWER COMPANY FOR)
AUTHORITY TO IMPLEMENT FIXED COST)
ADJUSTMENT ("FCA") RATES FOR) CASE NO. IPC-E-14-03
ELECTRIC SERVICE FROM JUNE 1,)
2014, THROUGH MAY 31, 2015.)
_____)

IDAHO POWER COMPANY

DIRECT TESTIMONY

OF

ZACHARY L. HARRIS

1 Q. Please state your name and business address.

2 A. My name is Zachary L. Harris and my business
3 address is 1221 West Idaho Street, Boise, Idaho 83702.

4 Q. By whom are you employed and in what capacity?

5 A. I am employed by Idaho Power Company ("Idaho
6 Power" or "Company") as a Regulatory Analyst in the
7 Regulatory Affairs Department.

8 Q. Please describe your educational background.

9 A. In December of 2008, I received a Bachelor of
10 Science degree in Accounting from Brigham Young University-
11 Hawaii. In December of 2011, I received a Master of
12 Science degree in Accounting from Boise State University.
13 After becoming employed by Idaho Power in May 2011, I
14 attended the electric utility ratemaking course offered
15 through New Mexico State University's Center for Public
16 Utilities. I also attended the "Cost-of-Service Concepts
17 and Techniques," as well as the "Rate Design for Electric
18 Utilities" courses offered by Electric Utility Consultants,
19 Inc. in 2012.

20 Q. What is the purpose of your testimony?

21 A. The purpose of my testimony is to describe the
22 Company's request to implement its annual Fixed Cost
23 Adjustment ("FCA") rates per Idaho Public Utilities
24 Commission ("Commission") Order No. 32505 (Case No. IPC-E-
25 11-19), which approved the FCA as a permanent rate

1 mechanism for the Residential and Small General Service
2 customers. The Commission's subsequent Order No. 32731 in
3 that case directed that the FCA mechanism continue with its
4 existing methodology.

5 Specifically, my testimony will discuss three areas
6 related to the FCA mechanism and Schedule 54, Fixed Cost
7 Adjustment. First, I will briefly discuss the FCA
8 mechanism itself and how the FCA amount is determined.
9 Second, I will describe the determination of the 2013 FCA
10 amount. Lastly, I will discuss the calculation of the FCA
11 rates the Company is proposing to go into effect on June 1,
12 2014.

13 **I. FIXED COST ADJUSTMENT MECHANISM**

14 Q. What is the purpose of the FCA mechanism?

15 A. The FCA is a true-up mechanism that
16 "decouples," or separates, energy sales from revenue in
17 order to remove the financial disincentive that exists when
18 the Company invests in demand-side management resources.
19 Under the FCA, rates for Residential Service (Schedules 1,
20 3, 4, and 5) and Small General Service (Schedule 7)
21 customers are adjusted annually to recover or refund the
22 difference between the level of fixed cost recovery
23 authorized by the Commission in the Company's most recent
24 general rate case and the level of fixed cost recovery that

1 the Company received based upon the weather-normalized
2 energy sales during the previous calendar year.

3 Q. Please describe the FCA mechanism.

4 A. For both the Residential and Small General
5 Service classes, the FCA mechanism is the same. The
6 formula used to determine the FCA amount is:

7
$$\text{FCA} = (\text{CUST} \times \text{FCC}) - (\text{NORM} \times \text{FCE})$$

8 Where:

9 FCA = Fixed Cost Adjustment;

10 CUST = Average Number of Customers, by class;

11 FCC = Fixed Cost per Customer rate, by class;

12 NORM = Weather-Normalized Energy, by class; and

13 FCE = Fixed Cost per Energy rate, by class.

14 Q. How is the FCA amount determined?

15 A. The FCA amount is the difference between the
16 Company's level of "authorized fixed cost recovery" (CUST X
17 FCC) and the level of weather-adjusted "actual fixed cost
18 recovery" (NORM X FCE). The "authorized fixed cost
19 recovery" is determined by multiplying the average number
20 of customers for the previous calendar year by the FCC rate
21 established as a result of the outcome in the Company's
22 most recent general rate case proceeding in which the FCC
23 rate was set. The "actual fixed cost recovery" is
24 determined by multiplying the weather-normalized energy
25 sales for the previous calendar year by the FCE rate. The

1 FCE rate was also established in the Company's most recent
2 general rate case.

3 Q. Can the FCA true-up amount be either positive
4 or negative?

5 A. Yes. The FCA can be either positive or
6 negative. If the FCA was positive, that would indicate the
7 Company's authorized level of fixed cost recovery was
8 greater than the level of fixed costs recovered through the
9 energy rate. This would stem from the fact that the growth
10 rate in weather-normalized energy was less than the growth
11 rate in customers, i.e., the use per customer had
12 decreased. The effect would be that the Company had under-
13 collected its authorized level of fixed costs. In a
14 similar fashion, if the FCA was negative, that would
15 indicate that the Company's authorized fixed cost recovery
16 amount was less than the fixed costs determined to have
17 been recovered through the energy rate and would result in
18 a refund of the adjustment.

19 **II. FCA DETERMINATION FOR CALENDAR YEAR 2013**

20 Q. Did the rates for the FCC and FCE change in
21 2013?

22 A. No. The FCC and FCE rates used to determine
23 the 2013 FCA balance are the same rates used to determine
24 the 2012 FCA balance.

1 Q. How is the authorized level of fixed cost
2 recovery derived?

3 A. The authorized level of fixed cost recovery is
4 the product of the FCC and the average number of customers,
5 by class. The monthly number of customers has historically
6 been determined by dividing the total revenue received
7 attributable to the monthly service charge by \$5, which is
8 the current monthly service charge for both the Residential
9 and Small General Service customer classes. This method of
10 quantifying customer count reflects a fractional value for
11 customers that were only active for part of the month.

12 In September 2013, the Company implemented a new
13 Customer Relationship and Billing ("CR&B") system, which
14 required that the calculation of the prorated customer
15 counts be modified. Because the new CR&B system tracks and
16 records revenue in a different manner than the prior
17 billing system, it was necessary to modify the
18 determination of prorated customer counts to ensure the
19 ongoing accuracy of the FCA computations. Starting in
20 August 2013, the Company began using a prorated customer
21 count based on the number of active meters at the end of
22 each month. This approach applies the same methodology
23 that was used to determine customer counts in the Company's
24 most recent general rate case, Case No. IPC-E-11-08. The

1 annual average customer count is derived by calculating the
2 average of the twelve monthly prorated customer counts.

3 Q. Does the Company compute a monthly FCA balance
4 and periodically report the estimated balance of the FCA
5 amount to the Commission?

6 A. Yes. To maintain compliance with Generally
7 Accepted Accounting Principles, a monthly FCA balance is
8 estimated and recorded on the Company's books. At year-
9 end, once the annual FCA amount is determined, an
10 adjustment is made to the sum of the 12 monthly reported
11 estimates of the FCA balance.

12 Since 2009, the Company has continued to report the
13 estimated FCA deferral balance in the monthly FCA report
14 provided to the Commission. Exhibit No. 1 is a copy of the
15 monthly FCA Report for calendar year 2013.

16 Q. Were any adjustments made to these estimated
17 amounts once the Company's financial books were closed at
18 year-end 2013?

19 A. Yes. Because the monthly FCA amount is an
20 estimate made for accounting purposes, an adjustment may be
21 needed to arrive at the final annual FCA amount. This
22 adjustment varies from year to year. When the Company's
23 financial books were closed at year-end, the annual average
24 customer counts and annual weather-normalized energy sales
25 were determined. Once these were determined, the

1 "authorized fixed cost recovery" (average customer count X
2 FCC) and the "actual fixed cost recovered" (weather-
3 normalized energy X FCE) could be calculated.

4 The difference between this year-end determination
5 of the FCA balances and the sum of the 12 monthly reported
6 estimates of the FCA balances required adjustments to
7 arrive at the annual FCA amount.

8 Q. What is the total amount of the FCA, including
9 interest, the Company is requesting to implement in rates
10 on June 1, 2014?

11 A. The total amount of the FCA the Company is
12 requesting to begin recovering in rates on June 1, 2014, is
13 \$14,912,442.52 reflected on line 32, column T, of Exhibit
14 No. 2. The FCA for the Residential class shows
15 \$14,339,006.18 reflected on line 15, column T, of Exhibit
16 No. 2. The FCA for the Small General Service class shows
17 \$573,436.34 on line 29, column T, of Exhibit No. 2.
18 Exhibit No. 2 shows the FCA balances and adjustments, plus
19 interest calculated through May 2014.

20 Q. What is the significance of these numbers with
21 respect to the Company's recovery of its fixed costs?

22 A. Because the Residential FCA is a positive
23 number, it means that the average use per customer has
24 decreased from the level established in the Company's last
25 general rate case. Therefore, in accordance with the

1 approved mechanism, the Residential class will receive an
2 adjustment to allow for recovery of the fixed costs that
3 were not collected, on a weather-normalized basis, through
4 the energy charges during the year. The same holds true
5 for the Small General Service class, meaning that the use
6 per customer for this class has also decreased, and the
7 Company has under-collected its authorized level of fixed
8 costs for the Small General Service class.

9 In 2013, the customer count for the Residential
10 customer class continued to increase throughout the year.
11 The level of authorized fixed cost recovery had a direct
12 correlation with the increase in the customer count. As
13 customer growth increases, fixed costs also increase,
14 impacting the level of authorized fixed cost recovery. The
15 growth in customer count exceeded the growth in the
16 weather-adjusted energy sales.

17 **III. CALCULATION OF THE FIXED COST ADJUSTMENT RATE**

18 Q. Please describe the calculation of the FCA
19 rates the Company is proposing to go into effect on June 1,
20 2014.

21 A. The FCA rates the Company proposes to go into
22 effect on June 1, 2014, were calculated by taking the FCA
23 balances for each class described above and dividing by the
24 respective weather-normalized energy sales forecast for the
25 June 1, 2014, through May 31, 2015, timeframe ("test

1 year"). This is the same period as the Power Cost
2 Adjustment test year.

3 Q. What has the Company determined the test year
4 weather-normalized energy sales to be for both the
5 Residential and Small General Service classes?

6 A. The Company's test year weather-normalized
7 energy sales is 4,937,076,922 kilowatt-hours ("kWh") for
8 the Residential class and 143,241,424 kWh for the Small
9 General Service class.

10 Q. What are the corresponding FCA rates for the
11 Residential and Small General Service classes based on a
12 combined and equal FCA rate change, as defined in the
13 approved mechanism?

14 A. In Order No. 32505, the Commission ordered
15 that the FCA deferral balance will continue to be recovered
16 or refunded equally between the Residential and Small
17 General Service customer classes. Order No. 32505 at 9.
18 Because the Residential and Small General Service classes
19 reduced their energy consumption per customer such that the
20 Company under-collected its authorized level of fixed costs
21 as established in Case No. IPC-E-11-08, each class requires
22 a rate surcharge. In order to recover the authorized level
23 of fixed costs, the FCA rate for the Residential class
24 would be 0.2913 cents per kWh and the corresponding rate

1 for the Small General Service class would be 0.3709 cents
2 per kWh.

3 Q. What is the difference between the FCA
4 deferral balance currently in amortization and the proposed
5 FCA deferral balance?

6 A. In Order No. 32811, issued in Case No. IPC-E-
7 13-06, the Commission approved the total FCA deferral
8 balance of \$8,896,361 with rates based on that balance
9 effective for the period June 1, 2013, through May 31,
10 2014. In this filing, the Company is proposing to collect
11 rates based on an FCA deferral balance of \$14,912,442,
12 which would be \$6,016,081 more than the current FCA
13 deferral balance.

14 Q. What is the percentage change in billed
15 revenue as measured from total billed amounts currently
16 recovered from Residential and Small General Service
17 customers, including the current FCA?

18 A. The total FCA deferral balance of \$14,912,442
19 the Company is proposing to collect through the FCA rates
20 effective June 1, 2014, through May 31, 2015, represents an
21 annual increase of 1.18 percent from current billed rates
22 for the affected customer classes.

23 Q. How will the Company incorporate the FCA
24 surcharges for the Residential and Small General Service
25 classes on customers' bills?

1 A. The Company proposes to continue including the
2 FCA with the Annual Adjustment Mechanism Charge on
3 Residential and Small General Service customers' bills.

4 Q. Does this complete your testimony?

5 A. Yes, it does.

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I, Zachary L. Harris, having been duly sworn to testify truthfully, and based upon my personal knowledge, state the following:

I am employed by Idaho Power Company as a Regulatory Analyst in the Regulatory Affairs Department and am competent to be a witness in this proceeding.

I declare under penalty of perjury of the laws of the state of Idaho that the foregoing pre-filed testimony and exhibits are true and correct to the best of my information and belief.


Zachary L. Harris



Kimberly K. Towell
Notary Public for Idaho
Residing at: Star, Idaho
My commission expires: 12-20-2014



BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION
CASE NO. IPC-E-14-03

IDAHO POWER COMPANY

HARRIS, DI
TESTIMONY

EXHIBIT NO. 1

Idaho Power Company
Monthly FCA Report for 2013
January 2013 - December 2013

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
1	Fixed Cost Adjustment														
2	for the year ended December 31, 2013														
3															
4	Residential FCA:														
5	Beginning Balance	\$	1,057,026.17	1,057,026.17	1,642,935.67	2,166,665.11	3,577,756.24	3,990,934.37	6,275,545.36	7,067,184.13	7,647,792.62	8,081,892.14	10,500,316.57	13,158,003.11	
6	Amount Deferred	\$	1,057,026.17	585,909.50	523,729.44	1,411,091.13	413,178.13	2,284,610.99	791,638.77	580,608.49	434,099.52	2,418,424.43	2,657,686.54	1,626,037.32	14,784,040.43
7	Ending Balance	\$	1,057,026.17	1,642,935.67	2,166,665.11	3,577,756.24	3,990,934.37	6,275,545.36	7,067,184.13	7,647,792.62	8,081,892.14	10,500,316.57	13,158,003.11	14,784,040.43	
8															
9	Interest:														
10	Accrual thru Prior Month	\$	-	-	880.86	2,249.97	4,055.52	7,036.98	10,362.76	15,592.38	21,481.70	27,854.86	34,589.77	43,340.03	
11	Annual Interest Rate		1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	
12	Monthly Interest Inc/(Exp)	\$	1,057,026.17	585,909.50	523,729.44	1,411,091.13	413,178.13	2,284,610.99	791,638.77	580,608.49	434,099.52	2,418,424.43	2,657,686.54	1,626,037.32	
13	Interest Accrued to date	\$	-	880.86	1,369.11	1,805.55	2,981.46	3,325.78	5,220.62	5,889.32	6,373.16	6,734.91	8,750.26	10,965.00	54,305.03
14															
15	Total Residential FCA:														
16															
17															
18	Small General Service FCA:														
19	Beginning Balance	\$	-	62,768.75	35,904.76	69,801.48	163,873.83	207,755.11	330,725.02	378,548.07	386,775.00	409,841.86	497,620.55	547,385.88	
20	Amount Deferred	\$	62,768.75	(26,863.99)	33,896.72	94,072.35	43,881.28	122,969.91	47,823.05	8,226.93	23,066.86	87,778.69	49,765.33	42,989.99	590,375.87
21	Ending Balance	\$	62,768.75	35,904.76	69,801.48	163,873.83	207,755.11	330,725.02	378,548.07	386,775.00	409,841.86	497,620.55	547,385.88	590,375.87	
22															
23	Interest:														
24	Accrual thru Prior Month	\$	-	-	52.31	82.23	140.40	276.96	450.09	725.69	1,041.15	1,363.46	1,704.99	2,119.67	
25	Annual Interest Rate		1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	
26	Monthly Interest Inc/(Exp)	\$	62,768.75	(26,863.99)	33,896.72	94,072.35	43,881.28	122,969.91	47,823.05	8,226.93	23,066.86	87,778.69	49,765.33	42,989.99	
27	Interest Accrued to date	\$	-	52.31	29.92	58.17	136.56	173.13	275.60	315.46	322.31	341.53	414.68	456.15	2,575.82
28															
29	Total Small General Service FCA:														
30															
31															
32	Total Fixed Cost Adjustment	\$	1,119,794.92	1,679,773.60	2,238,798.79	3,745,825.99	4,206,003.42	6,617,083.23	7,462,050.27	8,057,090.47	8,520,952.32	11,034,231.88	13,750,848.69	15,431,297.15	
33															
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37	Enlist:														
38	599 X00001 999 182302 (254302)														
39	599 X00001 999 440301		1,119,794.92	559,978.68	559,025.19	1,507,027.20	460,177.43	2,411,079.81	844,967.04	595,040.20	463,861.85	2,513,279.56	2,716,616.81	1,680,448.46	15,431,297.15
40	599 X00001 999 442301		(1,057,026.17)	(585,909.50)	(523,729.44)	(1,411,091.13)	(413,178.13)	(2,284,610.99)	(791,638.77)	(580,608.49)	(434,099.52)	(2,418,424.43)	(2,657,686.54)	(1,626,037.32)	(14,784,040.43)
41	599 X00001 999 421006 (431013)		(62,768.75)	26,863.99	(33,896.72)	(94,072.35)	(43,881.28)	(122,969.91)	(47,823.05)	(8,226.93)	(23,066.86)	(87,778.69)	(49,765.33)	(42,989.99)	(590,375.87)
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**BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION**

CASE NO. IPC-E-14-03

IDAHO POWER COMPANY

**HARRIS, DI
TESTIMONY**

EXHIBIT NO. 2

Idaho Power Company
Monthly FCA Report for 2013
January 2013 - May 2014

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T
	Fixed Cost Adjustment																			
1	for the year ended December 31, 2013																			
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